

Business Sense

**By U.S. Representative Larry Combest (R-Texas)
Vice Chairman, House Small Business Committee**

“The Computerized Tax Collector”

Many of the small business owners I am hearing from report the type of tingling sensation experienced by those who sense they are about to being struck by lightning. Small businesses are dreading the shock of the new electronic payroll tax plan coming July 1 from the Internal Revenue Service. On July 1, businesses that pay \$50,000 or more in payroll tax (as measured during 1995) must pay IRS payroll taxes by electronic transfer of funds or face a 10 percent penalty for continuing to pay with the traditional paper coupons that have always served as their receipt.

Businesses have historically been required to deposit withholding taxes in the bank, providing a paper coupon which the bank processes and forwards to the federal government. Now, the paper coupon is being replaced with an electronic payment. While the IRS originally planned to require electronic payroll tax payments four months ago in January, the reprieve until July has meant only a few businesses are truly ready, but not at all enthusiastic. Business owners are in the business of keeping up with change, and most seem to recognize the changes inevitable in the new Information Age. But it is forced change that few small businesses are ready for on the first of July.

Once again, government in Washington has dictated sweeping changes and grants no leeway or incentive for the individual trying to run a small business. A much better approach is for government to encourage more efficient business methods. Collecting tax payments electronically means immediate collection for the government, and a less costly approach than processing paperwork. While I am the last to suggest giving the federal government more of our hard earned money, we as taxpayers do have a right to expect that government should collect what is owed, and collect it efficiently and fairly. Electronic payroll tax collection should be an improved and easier method for making tax deposits, not a burdensome mandate on small business.

On the South Plains, the July 1 deadline coupled with the business bottom line is causing the latest worry for small businesses already saddled with too many taxes, too much paperwork and many burdensome federal regulations. To the ever-growing surprise of each new entrepreneur, it costs — really costs — to be in business. One company whose business is in making and receiving electronic payments now is reluctantly ready to add IRS payments to its computer workload. However, the owner also knows medium-sized mom and pop operations that lack the computers and programs to make the payment on their own. Without the ability to connect by computer, those small businesses will depend on their banks' automated teller systems. Some banks will charge monthly fees to handle the extra work, others may not. Regardless, many small business owners are more comfortable with taking their monthly paper coupon to the bank for a stamped receipt as proof of payment to the IRS.

Although a computer consulting company used its skills to investigate and allay its own fears to find that neither the IRS nor banks will be reaching directly into their company payroll accounts, the new electronic payment law still has small business owners rattled. Often, being able to hold a paper coupon receipt in hand is true peace of mind in proving payment. While the banks are expected to be accountable for handling the filings, not all small businesses are ready or yet willing to deal with electronic banking of hundreds of thousands of their dollars.

Bookkeepers worry about the crush of the first deadline for the new system.

Some are equally concerned that the proper amount is electronically withdrawn so that their accounts are not overdrawn by bookkeeping error. In trying to reassure businesses, the IRS states it will accept bank records and transaction confirmation numbers as proof of timely payment by electronic filing.

I used to own a small wholesale electronics distributorship, so I have a natural interest in the latest innovations that can help small businesses. Approximately 1,500 of the largest companies and corporations with a payroll tax load of more than \$47 million are required to file their payroll taxes electronically. I have co-sponsored “The Small Business Tax Payment Relief Act” to freeze the electronic filing requirement so that it will be required only for these large companies.

The IRS says that electronic deposits are so easy that 64,000 other businesses have voluntarily signed up for taxpayer codes and personal identification numbers. If electronic filing works for a business owner better than a run to the bank downtown, then they should have the option of a computer payment to the IRS. For others however, making it a requirement with financial penalty only heightens the distrust.

If electronic filing is good for American small business, the benefit of convenience in the duty of depositing payroll withholding taxes should be enough without a mandate and a fine.